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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 01500-88
23 April 1988

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: Martin W. Roeber
National Intelligence Officer for Latin America

SUBJECT: Latin America Warning and Forecast Meeting
April 1988

1. The following four countries were discussed and major judgments of the Intelligence Community were that:

- Economic sanctions alone will be insufficient to force Panamanian military commander Noriega out of power within the next thirty days; subordinate commanders remain loyal and unlikely to move against him. Even a massive US military reinforcement in Panama is unlikely by itself to bluff Noriega.
- The current impasse in Nicaraguan peace talks between the Sandinistas and the Resistance probably will be overcome and a tentative accord eventually reached. Prolonged negotiations, however, are likely to split the insurgent movement and delays in resupply will erode the integrity of units inside Nicaragua.
- The Honduran military is unlikely to force President Azcona from office in the wake of strong public reaction to the illegal extradition of drug-trafficker Matta, even though the President's position has been seriously eroded. Anti-US sentiment among commanders has grown, discouraging pro-US military officers from speaking out, for example, against the Foreign Minister's efforts to reach a bilateral accord with Managua.
- Civil-military tensions in Peru have increased substantially and while a coup in the near term is not probable, a misstep by President Garcia could galvanize opposition to him and prompt his ouster. [REDACTED]

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2. Panama:Financial Issues:

Some money is almost certainly coming to the government in the form of taxes and other payments and possibly undetected small loans but, on balance, the Intelligence Community sees no external "financial savior" for Panama. Economic conditions and Noriega's ability to meet his financial obligations will continue to deteriorate. Loans, such as the possible \$20 million from Libya, will provide only short-term relief. [REDACTED]

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Nonetheless, the Intelligence Community believes it has consistently underestimated Noriega's resourcefulness. Even without external assistance, the majority of analysts believe he will "muddle through," albeit with gradually diminishing resources. In addition, the analysts agreed that economic deterioration alone will not force him out. Indeed, some speculated that public expectations have been lowered and that many Panamanians have made adjustments to live with partial paychecks. [REDACTED]

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The Military

The Intelligence Community believes that the military institution remains unified and analysts see little prospect over the next thirty days for a move against Noriega.

- As committed careerists, key commanders, although probably restless, remain loyal to the institution.
- While the rank-and-file are also unhappy over the lack of full paychecks, Noriega has provided them with additional credit at the well-stocked commissary, which has eased financial distress.
- Discipline within the military, including the police, is excellent.
- The loyalty of the captains and majors who control troops remains strong.
- The civilian opposition has been unable to mount any substantial or sustained demonstrations. [REDACTED]

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Increased US military presence alone--even if totalling thousands of troops--will not shake the regime. However, if US military dependents were moved onto military bases and the US became more aggressive in challenging the PDF, suggesting that major military action was imminent, then the PDF could be forced to reassess its support for Noriega. [REDACTED]

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Even though Noriega seems well entrenched, the Intelligence Community believes that he might be willing to leave under the proper circumstances. Key to Noriega is that he is able to remain in Panama and is given guarantees of his personal safety. One possible agreement would include Noriega's departure from the PDF in August, which would mark his traditional retirement date. [REDACTED]

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On the Cuban presence, the analysts agreed that it is highly unlikely that Havana has sent more than a few dozen personnel, some for military training and others for press and propaganda manipulation. There were some differences over the implications of this Cuban presence for PDF unity, however, with some arguing that it made little difference and others suggesting it was raising concerns. [REDACTED]

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WARNING ISSUES:

- Noriega may be willing to allow an increase in foreign leftist influence in Panama in exchange for financial and diplomatic support.
- Noriega is likely to increase pressure on US military personnel as the crisis drags on and although he has thus far blocked violent actions against the US, random attacks by his leftist supporters cannot be ruled out. [REDACTED]

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3. Nicaragua

The Intelligence Community believed that the current impasse is likely to be overcome and that prospects for a cease-fire accord remain good. Both sides have staked out tough initial positions, the insurgents to placate hardliners in the Resistance and the Sandinistas to sow disunity among the insurgents and mollify their own followers who might question direct talks. [REDACTED]

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A minority of analysts were less optimistic about a cease-fire. They argued that the unity of the Resistance will break down quickly and end prospects for a full agreement. As a result, fighting would resume, although only 3,000 to 5,000 combatants would be likely to renew the struggle. [REDACTED] 25X1

The cease-fire zones under negotiation offer both advantages and disadvantages to the Resistance forces. Their size is equivalent to El Salvador and this will prevent "sealing" by regime forces and they are located in traditional rebel operating areas. On the negative side: their relative underdevelopment, remoteness, and lack of population or overland transportation. Such problems, combined with heavy rainfall, will make movement difficult. [REDACTED] 25X1

WARNING ISSUES

- Prolonged negotiations with the Sandinistas will exacerbate splits within the Resistance.
 - The Sandinistas could launch a preemptive offensive against insurgent units in the cease-fire zones if peace talks appear to be failing. [REDACTED] 25X1
- [REDACTED] 25X1

4. Honduras

Although the strong public reaction to the illegal extradition of drug dealer Manuel Matta has shaken civil-military relations, it is unlikely to provoke a coup. Nonetheless, the backlash has strained relations with the armed forces and further weakened an already unpopular President Azcona, and the Intelligence Community cannot rule out the possibility that he could be replaced constitutionally or that he might decide to resign. In addition, the affair further eroded the credibility

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of the United States within the Honduran military. Washington's pressures on Tegucigalpa have angered the high command which sees the incident as an example of capricious behavior. The military is also angered by continued accusations of Honduran military involvement in drug trafficking. Indeed, if anything, the affair may have strengthened the position of those reputedly involved in trafficking. For example, the Intelligence Community sees little likelihood that police commander and rumored trafficker Leonel Riera, who delayed responding to US Embassy calls for assistance, will be replaced unless Commander-in-Chief Humberto Regalado is also forced out. Furthermore, backlash against Washington may discourage those who oppose Foreign Minister Lopez Contreas' initiative to sign a bilateral accord accommodation with Managua from speaking out for fear of appearing subservient to US interests. [REDACTED]

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WARNING ISSUES:

- While Azcona's position seems safe for now, further large-scale demonstrations could prompt civilians to try to force his resignation.
 - Pressure from the military--resentful toward Washington--may force the President to be less accommodating to US interests in the coming months.
 - Popular reaction to Matta's illegal extradition has given the traditionally weak left an issue to galvanize latent anti-US sentiment in Honduras, increasing the prospect for further demonstrations and attacks on US property. [REDACTED]
- [REDACTED]

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5. Peru

President Garcia's relations with the military have reached a new low. [REDACTED]

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[redacted] Garcia has shown an ability to defuse military tensions in the past, and he is showing indications that he is again taking steps to placate or otherwise deal with commanders. The Intelligence Community believes, however, that any precipitous moves by Garcia--such as trying to extend his term by fiat, or pressing for punishment of troops involved in the 1986 massacre of guerrillas imprisoned in Lima, would galvanize military sentiments against him, and dramatically increase the likelihood of a coup. [redacted]

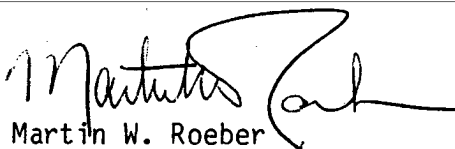
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WARNING ISSUE: [redacted] a misstep by Garcia could galvanize military and civilian support for his ouster. Such an effort might be resisted by the ruling party's paramilitary apparat and result in widespread fighting. [redacted]

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Participating in the NIO/Latin America Warning Meeting of
29 April 1988 were representatives of the following agencies:

Defense Intelligence Agency:

DIO/DIA
DIA/DE3
DIA/DB3C2
DIA/DB3C1
DIA/DB5C
DIA/DX-5
DIA/OA-5
DIA/JSI-4B
DIA/CAJIT

DOD/JCS

National Security Agency

Department of State/INR

Department of the Army

Department of the Navy

CIA Participants:

ALA
OGI
OIA
LDA
OIR
DO/LA
DO/CATF
DO/EPS
DO/NC
NIO/W
NPIC
FBIS
NIC/AG

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